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PERFORMANCE–BASED BUDGETING

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, JULY 20, 2005

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PERFORMANCE–BASED BUDGETING

WEDNESDAY, JULY 20, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 10 a.m. in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee), presiding.

Members present: Representatives Nussle, Sessions, Chocola, Bonner, Ryun, Diaz-Balart, Putnam, Mack, Lungren, Crenshaw, McHenry, Conaway, Spratt, Baird, Neal, and Cuellar.

Chairman NUSSLE. The Committee will come to order. The subject of today's full Budget Committee hearing is performance-based budgeting.

Good morning and welcome. Today, we are here to discuss that concept and how it may be applied to our own congressional budget process. I would imagine that performance budgeting is not a concept that is necessarily well understood or even well known by a majority of folks. So, as a first order of business today, and I am sure our witnesses will explain this, but let me try and give a quick, thumbnail overview of what performance-based budgeting is about, and then I am sure our experts will be a little bit more in depth in their explanation.

In a nutshell, performance budgeting is an effort to tie the funding levels for government programs to the programs' actual performance. The intent is to ensure that performance is routinely considered in funding and management decisions and that programs achieve expected results and work toward continual improvement. The practice has been utilized in various forms and with a varying degree of effectiveness and success by many of the 50 States, including my own State of Iowa, as well as the Federal Government.

On the Federal level, over the past decade Congress, the administration's Office of Management and Budget (OMB), and other executive agencies have worked to implement a statutory and management-reform framework to improve the performance and accountability of the Federal Government. Through measures such as the Government Performance and Results Act, the Chief Financial Officers Act, the Government Management Reform Act, and the administration's performance assessment rating tool (PART); these are the measures that have been employed to try and accomplish these ends.

According to GAO (Government Accountability Office), this framework has helped. It has helped to establish a basic infrastruc-

ture for creating high-performing Federal organizations, with a possible next-step strategy for restructuring budgeting practices with a much heavier focus on performance and results during the budget deliberations. I will note that in the report accompanying this year's budget, we included language supporting the goals of performance budgeting. I will also note that there have been a few concerns raised over the years on this practice. Most notably that the use of performance budgeting could allow the executive branch to infringe on Congress's control over the purse; also that the practice might be used as a means to kind of pick and choose successful, or somebody's definition of "unsuccessful," programs based on personal interest rather than actual performance.

So today, we are here to take a good look at just what this practice is all about, not only its concept and intent, but also how performance criteria should be determined or are determined. Also how these criteria are used to measure the potential and actual success of programs and agencies and what measures in performance budgeting are already in use at the Federal level and what further implementation is needed or should be encouraged. Finally, what are some of the challenges of implementing performance budgeting at both the State and the Federal level?

To help us in this discussion we will review the experience of State governments, what they have had with this process, particularly the State of Texas, a pioneer in performance budgeting. We will explore its impact on agency performance and funding in Texas, as well as implications of adapting such practices to the Federal Government. And that is a perfect segue to introducing our witnesses, all of whom are Texans and all of whom have experience in performance budgeting in the State prior to coming to Washington.

First, we will hear from Clay Johnson, who is the Deputy Director for Management at OMB. Deputy Director Johnson, who served then-Governor Bush back in Austin, is now largely responsible for implementing the President's management agenda and the administration's plan for improving management and performance at the Federal Government level. In fact, it is his job, as the President wanted to put M back in OMB, it is Clay Johnson's job to try and accomplish that.

One of the primary components of the plan is the program assessment rating tool, or PART, which uses the practice of performance budgeting to improve both monitoring of a program's performance and outcome measures.

We also have two distinguished members from this committee from either side of the aisle: Mr. Cuellar from Texas, who has requested that we hold this hearing in the first place. We appreciate his leadership, he brought this to the attention of this committee during the markup process of the budget. He is a former State legislator who has extensively analyzed the various States' approaches to performance budgeting and really has given us the ability to hold this discussion today, and I appreciate that leadership. Also, Mr. Conaway from Texas, who, prior to serving in Congress, was a CPA, it is nice to have a CPA on the Budget Committee. He was chairman of the State board of public accountancy, a State agency that regulates the practice of accountancy in Texas, who brings a

strong business perspective to this discussion. We appreciate your leadership on this issue as well.

We welcome all of you, and we appreciate your willingness to testify before your own committee. We are pleased to receive your entire testimony, and we understand that you may have some questions for each other, which will be kind of an interesting roundtable today because you are members of the committee. It is unusual that witnesses get to ask questions of one another, but I know that we will learn more if we have a little bit more freewheeling process here today, so we will see if we can accommodate that.

With that, I will turn to Mr. Spratt for any opening comments he would like to make.

Mr. SPRATT. Mr. Chairman, thank you very much, and thank you for calling this hearing on performance-based budgeting. It is an important tool for public management. It is still a very conceptual tool.

I want to welcome all three of our witnesses but particularly give credit to Congressman Cuellar for initiating this hearing and for his effective advocacy here in Congress and back in Texas. Dr. Cuellar is an expert on performance-based budgeting, having written his Ph.D. dissertation on the topic at the University of Texas and having been a tireless advocate of it, and this hearing is one example of that.

Having a Federal Government that does more and costs less is a bipartisan objective. The Clinton administration began its business by instituting the National Performance Review, which made 380 recommendations for reinventing government after reviewing the operations of each executive department and the work of 11 reinvention teams and 22 agency redesign teams. The National Performance Review issued its recommendations in September 1993, and the President signed implementing legislation in 1994.

President Clinton also signed into law the Government Performance and Results Act shortly after taking office. The GPRA required for the first time that every executive department and all Government agencies create strategic plans to support their missions and also to identify measures for determining the success or progress of the performance of those strategic plans and report annually on these measures.

In its report examining the first decade of the GPRA, the General Accountability Office said, "GPRA's requirements have established a solid foundation for results-oriented performance planning, measurement, and reporting in the Federal Government." That is the foundation that we would to build upon today, and that is the purpose of today's hearing.

I want to thank, as I said, Clay Johnson for coming, and we look forward to working with you to put the M back in OMB—I think that is critically important—and Mr. Conaway as well; it is good to have your expertise at the Committee table today, and we look forward to your testimony and the questions afterwards. Thank you again for participating.

Chairman NUSSLE. Thank you, Mr. Spratt.

I ask unanimous consent that all members be allowed to put opening statements in this part of the record. Without objection, so ordered.

To our witnesses, your prepared statements will be made part of the record, and you may summarize as you see fit.

Let me first turn to the Honorable Clay S. Johnson, who is the Deputy Director for Management at OMB, and we welcome you to the Committee, and we are pleased to receive your testimony.

STATEMENT OF THE HONORABLE CLAY S. JOHNSON III, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. JOHNSON. Mr. Chairman, thank you, and Ranking Member Spratt thank you very much for having me up here. As you stated, we all are very interested in spending the taxpayers' money more wisely every year. We have to be more effective every year at spending the taxpayers' money, particularly in this tight budget environment that we find ourselves in.

Let me comment about a couple of things that I think are important to remember and to make sure we have as we try to get more for the taxpayers' money and then to raise a couple of caveats, things that are important to remember.

To get more for the taxpayers' money, we have to have several things. We have to have a lot more information, a lot better information than we have now. We have to have good information about how programs are working; we have to have good, defined outcome measures; we have to have good efficiency measures; and we are in the process of providing that. We will get better and better at it every year. We have to have lots and lots and lots of transparency. We have to have all of this information be very public not only with the Congress but also with the American people. There has to be much more discussion and it has to be much more what we pay attention to, i.e., how programs are working and at what cost.

We also have to have lots and lots and lots of accountability. The PART, the Program Assessment Rating Tool, has an accountability element. Programs are held accountable for the implementation of their recommended next steps for program improvement each year, whether the program is fantastic, medium, or not very good at all. The recent proposal for a Sunset Commission and a Results Commission to provide formal accountability for programs to come forward and explain, in the case of the Sunset Commission, every 10 years why they should continue to exist. There are various forms that accountability can take. Those are just two: the Results and Sunset Commissions.

We are in the process of developing a Web site for the American people, to hear how all programs are working or not, in English, for the lay people, not in OMB form of English, but in English-English: Here is how programs are working, candid assessments of how they are working, and what we are doing to make them work better. There are many forms that accountability can take, and we can never have enough accountability.

Two caveats I raise in the area of performance budgeting. It should not be true that performance is the only thing that drives budgeting. There are other considerations: priorities of the administration and the priorities of Congress. Maybe you have a program that works great, but it is dealing with the entire issue that needs

to be dealt with, and more money is not called for. Alternatively, there could be a program that is working well, but it has served its purpose, and there is no more reason to fund that program. Occasionally, politics enters into it and we all understand that. There should be no slavish, automatic tie between performance and funding.

The second caveat here is the approach to performance budgeting, the first approach, the first mind-set, and the first objective should be that we want programs to work. The reason to pay attention to programs is not to look for programs to get rid of. The first goal should be to ask does this program work or not? If it does not work, is there a reason why we should make it work? In other words, is it a proper Federal role? Is it an important priority for the country? And in most cases, the answers will be yes and yes, and the primary objective of determining, first and foremost, that it does not work is to figure out how to make it work better.

At some point, we will decide we cannot make it work better, or there is somebody else that can do it better, that the role is better served by somebody else, and the decision will be made to reduce funding or eliminate the program. But the primary, going-in mind-set, our recommendation for using performance information is that it should be used primarily to make programs work better. Thank you for having me up here today.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. CLAY S. JOHNSON III, DEPUTY DIRECTORY FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

I contend that agencies are better managed and achieving greater results today with the help of the President's Management Agenda, but the opportunities for improvement are great. We want programs to work. We want to spend taxpayers' money better every year. We want to make sure that the taxpayer's get what they expect.

One of our primary instruments for achieving this goal is the Program Assessment Rating Tool (PART). We use the PART to assess the performance of all Federal programs, to guide the action to improve their performance, and to make sure our funding proposals get the taxpayers the most for their money. With the PART, we are assessing programs to find out what works and what doesn't. We ask of every program:

- Does it have a clear definition of success, and is it designed to achieve it?
- Are its goals sufficiently outcome-oriented and aggressive?
- Is it well managed?
- Does it achieve its goals?

In order for a program to be effective, it must have a clear definition of success and measures to determine whether it is achieving it. Each program assessed with the PART is required to develop clear, outcome-oriented goals and targets for improving both performance and efficiency. PART analysis also helps identify a program's strengths and weaknesses. In response to its PART assessment, a program identifies the specific steps it will take to improve its performance or overcome things that inhibit its performance. Under this model, all programs, both high and low performers, commit to improving each year.

We have already begun to see success. As agencies have become better at demonstrating and focusing on results, PART ratings have improved. The percentage of programs rated Effective, Moderately Effective or Adequate rose from 57 percent in 2003 to 67 percent in 2005. The percentage of programs rated Ineffective or Results Not Demonstrated fell from 43 percent in 2003 to 33 percent in 2005.

The Administration is committed to holding ourselves—agencies and programs—accountable to the American people for achieving results. One way we do this is through the transparency of the PART process. Currently, anyone can see the all completed PART questions and answers online at OMB's website. We will also design a new website to more clearly communicate to the American people what pro-

grams are working, which ones are not, and what we are doing to make those programs better.

We also need to enlist Congress more directly in holding agencies and programs accountable for their performance through a Sunset Commission, which provides regular scrutiny of Federal programs. This bipartisan commission would review each Federal program on a schedule established by the Congress to determine whether it is producing results and should continue to exist. Programs would automatically terminate according to the schedule unless the Congress took action to continue them.

The Administration's efforts to get more results for the American people are not only aimed at programs, they are behind the Administration's effort to modernize the Federal Government's personnel system. The Administration will soon propose legislation to, among other things, ensure employees are recognized and rewarded for their performance relative to mission-relevant goals, rather than longevity. It will require managers to ensure everyone clearly understands what is expected of them, how they are performing relative to those expectations, and how they can grow professionally and become even more effective each year. Continuous program performance improvement is possible with such personnel reforms.

Many programs don't achieve their intended results because they are hampered by uncoordinated programs designed to achieve the same or similar goal. That is why the Administration proposes the enactment of Results Commissions, which would review Administration plans to consolidate or streamline programs that cross departmental or congressional committee jurisdictional lines to improve performance and increase efficiency. Ordinarily, programs that cross such boundaries often are not subject to the usual performance review process, resulting in inefficiencies, lost opportunities, or redundancies. Results Commissions, made up of experts in relevant fields, would be established as needed to review consolidation proposals. The Congress would consider the Commission's recommendations through expedited review authority.

The Administration has set a goal to reduce the deficit in half over the next 5 years and is working to stop growth in non-defense, non-homeland discretionary spending. In this context, it is even more imperative that we invest our resources in those programs that are performing well and those which hold the promise of performing well with reform. When we find that tax dollars can be invested with better result in another program, it is our responsibility to propose it. PART ratings of "Ineffective" or

"Results Not Demonstrated" were a major factor in the decision to propose a number of reforms as well as the termination or reduction of 29 programs. For instance:

HOPE VI—The program was originally designed to address 100,000 of the severely distressed public housing units in the Nation's urban neighborhoods. Through 2004, 117,000 units have been demolished and HUD has approved the future demolitions of almost 50,000 more. The PART assessment found the program to be more costly than others and to take too long to produce results. So the budget redirects the funds other HUD programs.

Juvenile Accountability Block Grants—Other than anecdotal information, there is little evidence the program reduces juvenile crime. The Administration proposes to redirect the program's funds to other higher priority law enforcement programs.

Migrant and Seasonal Farm Worker Training Program—The PART assessment found that about 60 percent of participants receive no training and instead receive only low-cost supportive services that other Federal programs also finance. The Administration proposes to terminate the program, as it duplicates existing programs, does not focus sufficiently on job training, and has poor performance accountability for grantees.

Just because we propose to terminate a program like the Safe and Drug Free Schools State Grants program doesn't mean we don't want safe and drug free schools. In fact, it is because we care so much about having safe and drug free schools, and independent evaluations show that the program doesn't help us achieve that, we propose to invest the program's dollars instead in a program that will hold grantees accountable for spending the money in areas with the greatest need on activities that have proven successful. We want programs to work. The PART helps us find out whether a program is working or not and, if not, what to do about it. In some cases, it may be that a program is such a low priority or performs so poorly that that program's funds should be allocated elsewhere. It is our responsibility to convince Congress we are right. If we are successful, the result will be more programs achieving the intended results on behalf of the American people.

Chairman NUSSLE. Thank you for your testimony. We look forward to having a chance to visit about this further.

Mr. Cuellar.

STATEMENT OF THE HONORABLE HENRY CUELLAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. CUELLAR. Thank you very much, Mr. Chairman, Mr. Spratt, and members of the committee. Thank you for this opportunity where we are, all of us working toward the goal of making government more efficient, more effective, and more accountable.

Before I get started, I certainly want to thank Clay Johnson for the work that he has done for the OMB. Improving the performance of our agency is a bipartisan issue that is a hallmark of good government, and I would like to thank him for furthering the work that got started back in 1993.

I would also like to thank my friend and my fellow colleague, Mike Conaway, for all of his hard work that he has done on this particular project and the work that he did back in Texas.

What I would like to do, Mr. Chairman, is to go over a couple of items. The first thing is, one of the basic premises that we have, what gets measured gets done. I would like to address today some of the items that I believe are important to shed some further light on our responsibility as Congress Members to provide a continuous level of government improvement for our fellow citizens. The answer is not complicated. It is not expensive. In fact, I believe very strongly that it does streamline government, encourages efficiency, and does reward effectiveness. The concept, of course, Mr. Chairman, like you have in your State, is performance-based budgeting or performance budgeting.

Performance budgeting is a results-oriented budget tool that sets goals and performance targets for agencies and measures the results. Performance budgeting not only increases the capacity for legislative oversight, and I emphasize legislative oversight, but it also helps to increase the quality of services that our citizens receive. It is important that our legislative body should remain representative and responsive to the needs of the citizen.

David Osborne and Ted Gaebler talked about the need for measurement in their book called "Reinventing Government." Their basic premis is, if I can outline the basic premise, is what gets measured gets done. If you do not measure results, you cannot tell success from failure. If you cannot see success, you cannot reward. If you cannot reward success, you are probably rewarding failure. If you do not recognize failure, you cannot correct it, and if you can demonstrate results, then you can win public support for the work that you are doing.

Their perspective is important because measuring the performance of a government agency is a fundamental part of our responsibility as a responsible Congress. Congress, in my opinion, has four exercises, four fundamental functions, if I can just outline the four functions of Government.

One is law making and public policy making. Congress makes laws and sets public policy for the United States, No. 1.

No. 2, we raise revenues; that is, the authority to levy taxes, fees, and the sale of bonds.

No. 3, budgeting. Congress determines the activities and the purposes for which Government may spend money.

The fourth one is something that is very important, and sometimes I believe we neglect it a little bit, and that is we certainly know the Constitution prohibits Congress from executing and enforcing the law, but Congress can independently gather information from the executive and judicial branches and provide this general oversight.

Now, what do we mean by "congressional oversight?" There are four major purposes why we provide oversight. One is to protect public health and welfare. Two is to protect citizens' freedom and assure access to government. Three is to preserve public property. The fourth is one that I emphasize, is that we assure ourselves that public funds are properly spent and controlled.

Performance management in State government is not a new idea. In the States of Iowa, Idaho, and most of the 50 States, most State governments have undertaken the challenge of implementing performance-based budgeting, to different degrees, I would say. Many of these are innovative programs that have led to improved efficiency, transparency, which is what Clay mentioned; and, of course, effectiveness. This push by the State legislatures across the United States, in my opinion, has made those legislatures more accountable in their oversight activities.

States that have been experiencing budget oversight have used performance-budgeting principles to increase their quality of services that are given to citizens. Especially when you have those deficits, it is important to make sure that we are stretching out the dollars and providing the best quality service to our taxpayers.

Of course, there are different States, and I do not want to point out any particular one, but you can look at the State of Delaware, and they are doing a good job of improving the benchmarking process. You can look at the State of Utah. They have excelled in information gathering, which is, again, what Mr. Johnson said, it is very important, that we have the right information. You can look at States like Virginia for their dedication toward making the important information accessible to the public. The Virginia Results Web site is an excellent example of government transparency in action, and I believe the OMB is also looking at creation of a similar Web site, which I personally would encourage them to do, to provide that valuable tool. And, of course, I would ask you to look at the State of Texas.

In the State of Texas, what I am doing, Mr. Chairman, Mr. Spratt, members, I am just providing some information. We have, for example, strategic planning for agencies. We have the amendments that we added that make up the performance-based budgeting, which includes a provision on performance rewards and penalties; performance benchmarking; customer satisfaction assessment; activity-based costing, that is, what is the cost of a unit that you provide; a review of agency rules also to make sure that we get rid of any unnecessary rules and regulations. Again, to make government more effective; paperwork reduction also; and, of course, investment budgeting, which is, again, what Mr. Johnson talked about, is that you can have an agency that is efficient, but is it worthwhile having a particular agency? Also, there are copies of some documents on some of the priority goals, benchmarks, and performance measures on higher education, public safety, economic

development—a series of items to give you a general idea of what we have been looking at.

And then, finally, there is also a bill pattern from the 1970s, 1980s, and 1990s in the State of Texas that I want to review in a few minutes, at least one of them, so you can get an idea as to how the legislature can use that information and how it leads to better oversight. If I can just talk about the bill pattern, if I can have the next item on here.

The bill pattern is important. I think most States have gone into different types of what I call "bill patterns." The first is in the 1970s, and I am looking at the department of insurance as an example. Most States, in the seventies and before that, had what we call "line items." All they had was a line item and amount of dollars, and if you look at this type of information, you had money for travel, you had money for personnel, you had money for staff, for fire prevention coordinators; it was just a line item of information. Imagine yourself looking at this type of budget and what sort of questions would come up when an agency was coming in and asking for more money.

If you look at the next slide also as an example, you will see the bill pattern evolution. Most States went through the same thing where they went from a line item to what they call a "program budget"; that is, you had different types of programs there, and it provided a little bit more information, a little bit more dialogue between the agency and the legislators.

If you look at the next one, in the 1990s in the State of Texas and across the United States, you have what we call the "performance-based budgeting," and if you look at this type of budgeting, and this is what I want to emphasize, you can have information that is provided to the legislators, sent over to your office, but the question is, is it accessible? Is it in a format that you can use? I think that little point is very important because, otherwise, you will get the information, but it is not set in an easy way to understand that will lead to this.

If you look at this bill pattern just as an example, first of all, you have a goal for the agency. After that, you have also the objectives of the agencies. Then you start going into performance measures also, and there, depending on what you want to add there, you will ask what are we doing to encourage fair competition in the insurance agency? What are the outcomes that you are looking at there? How fast are we doing the work? How are we providing that service? Who are we providing the service to? I would highly encourage the Members to start thinking about this evolution that I think we have seen across the United States.

If I can go to the next part of it, you will see there that the outputs, how much money, what are we looking at, and it provides a different type of information that will lead to more questions. So when an agency is coming in and asking for more money, instead of just saying, "Well, here is the line item. We gave them a million dollars last year. This time they are asking for $1.5 million," you can look at this information there and ask them, "Well, what results did you get out of the $1 million? How are you going to do it better? Can we stretch the dollar a little better?" Especially if we are in a deficit, this will help explain the work that we are doing

and get more out of the agency if it is in a format where it is easy to be presented to the legislators.

Now, one of the things that also I am providing here, and it is part of the handout also, is just a basic guide of performance information questions that any legislator can ask almost any agency, and as you can see, the question is, I asked the members and the chairman, how many times have we asked these types of questions to the agencies on a regular basis? How many times are the agencies ready to come in with their questions to be asked, not only the appropriations but in any of the other substantive committees that we serve? I believe if we look at these types of questions, and the agencies are ready to answer these types of questions, and it does not matter what committee you are in, I think this will lead to a results-oriented type of government.

In conclusion, Mr. Chairman, Mr. Spratt, and members of the committee, performance-based budgeting is a results-driven method which encourages not only better oversight by the legislature but also managerial improvement because if the agencies are able to use these results. They can go from the headquarters in Washington all the way down to the field offices to make sure that they are performing the work that they are doing and, therefore, will get better program results. We have a responsibility to our citizens, and the dialogue must start with us.

The final point: What we want to have is a performance-budgeting tool that is nonpartisan. It should not change when one administration changes over to another, and performance measures should not be under the influence of any partisan trends. In other words, it does not matter what administration is in office, it does not what majority or minority is running the different committees; we should have nonpartisan tools so we can provide the better results. We need to supply the congressional committees with information that is accurate and useful in the assessment of agencies.

We should also use some of the States as laboratories. Your own State, Mr. Chairman, is a very, very good State that has done a lot of good work, and I think that using them as laboratories will help us do our job better and take the best of the work that has been done in different States.

We need to encourage some sort of establishment of a performance structure for this form of congressional budget oversight. It is one of our constitutional duties and responsibilities to provide oversight. Ensuring budget oversight is a very important responsibility. And I think if we stand together and work together, I think, by working together, we will provide the results-oriented government that our taxpayers and our consumers want from us. Thank you, Mr. Chairman.

[The prepared statement of Mr. Cuellar follows:]

PREPARED STATEMENT OF HON. HENRY CUELLAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

NEED FOR A RESULTS-ORIENTED PHILOSOPHY IN THE CONGRESSIONAL BUDGETING PROCESS STRENGTHENING CONGRESSIONAL BUDGET OVERSIGHT

Our constitutional obligations and legislative accountability have made the purpose of effective legislative oversight imperative.

Chairman Nussle, the Honorable John Spratt and Members of the Committee, we are here today in pursuit of making government more efficient, effective, and accountable.

Before I start I would like to thank Clay Johnson and the hardworking people at the OMB. Improving the performance of our agencies is a bipartisan issue that is a hallmark of good government, and I would like to thank them for furthering the work started back in 1993. I would also like to thank my friend and fellow representative Mike Conaway for his dedicated work on this project.

WHAT GETS MEASURED, GETS DONE

I address you today in order to shed further light on our responsibility to provide a continuous level of government improvement for our fellow citizens. The answer is not complicated or expensive; in fact it streamlines government, encourages efficiency, and rewards effectiveness. The concept that I refer to is Performance Based Budgeting. PBB is a results oriented budget tool that sets goals and performance targets for agencies, and measures their results. PBB not only increases the capacity for legislative oversight, but it also helps to increase the quality of services that our citizens receive. It is important for our legislative body to remain representative and responsive to the needs of our citizens.

David Osborne and Ted Gaebler summarized the need for measurement their book, Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector (1992):

- What gets measured, gets done
- If you don't measure results, you can't tell success from failure
- If you can't see success, you can't reward it
- If you can't reward success, you're probably rewarding failure
- If you can't recognize failure, you can't correct it
- If you can demonstrate results, you can win public support (Osborne and Gaebler 1992, 146-155)

This perspective is important, because measuring the performance of government agencies is a fundamental part of our responsibility as a responsible Congress.

A Congress Exercises Four Fundamental Functions:

- Lawmaking and public policy making. Congress makes laws and sets public policy for the United States. This function includes fact-finding and analysis related to both governmental and non-governmental activities.
- Raising revenues. Congress has authority to levy taxes, fees, and authorize the sale of bonds.
- Budgeting. Congress determines the activities and purposes for which government may spend money.
- General oversight of government. The Constitution prohibits Congress from executing or enforcing the law. But the Congress independently gathers information about the executive and judicial branches to aid it in its policy-making functions.

And Congress Exercises its Oversight Powers to:

- Protect the public health and welfare,
- Protect citizens' freedoms and assure access to the government,
- Preserve public property, and
- Assure itself that public funds are properly spent and controlled.

PERFORMANCE MANAGEMENT IN STATE GOVERNMENTS

Performance Budgeting is not a new idea. Most state governments have undertaken the challenge of implementing Performance Based Budgeting in their own agency institutions. Many of these innovative programs have led to improved efficiency, transparency and effectiveness. This push has also allowed state legislatures to become more accountable in their oversight activities. States experiencing budget shortfalls have used PBB principals to increase the quality of services given to the public. A lot of wisdom has been gained through the trials in our states, and almost all of them are ahead of the Federal Government in PBB implementation. We need to implement policy examples from the best states, and we need to avoid our past mistakes. The information is at our fingertips, we owe our citizens their due diligence.

I urge all of you to look at what Delaware is doing to improve the benchmarking process, or to take a serious look at how Utah has excelled in information gathering. We can also look for guidance in states like Virginia for their dedication toward making this important information accessible to the public. The Virginia Results website is an excellent example of government transparency in action. It is my understanding that the OMB has proposed the creation of a similar website, and I would like to personally stress the need for this valuable tool.

Please refer to the companion materials for examples of the work done in Texas.

BILL PATTERN EVOLUTION

One of the most important changes occurring through the performance budgeting process is the inclusion of performance information in the budget itself. Having performance information included in a manner that is appropriately organized and easily understandable is an important first step. When we have this type of information we have a useful tool for formulating benchmarks. This information can also be valuable in determining the true budgetary costs of each individual type of service that we provide to our citizens.

Agencies can use this information to justify funding levels for any specific amount of output. Appropriators will also have a better idea of the connection between funding and the impact of their programs.

CONCLUSION

Performance-based budgeting is a results-driven method which encourages managerial improvement and better program results. We have a responsibility to our citizens, and the dialogue must start with us.

• What we want to have is a performance budgeting tool that is Non-Partisan. It should not change when one Administration changes over to another and performance measures should not be under the influence of partisan trends.

• We need to supply Congressional Committees with information that is Accurate and Useful in the assessment of agencies and programs.

• We should use the States as Laboratories. A lot of wisdom has been gained through the trials in our States, and almost all of them are ahead of the Federal Government in PBB implementation. We need to implement policy examples from the best States, and we need to avoid our past mistakes. The information is at our fingertips, we owe our citizens their due diligence.

• We need to encourage the establishment of a formal structure for this form of Congressional Budget Oversight in the Legislative Branch. It is our responsibility to meet this challenge.

• We need to Stand Together and do what is best for our citizens. It is for this reason that we need to bring all of Congress together in the support of these necessary solutions.

Thank you for the opportunity to testify. I will look forward to answering your questions.

Chairman NUSSLE. Thank you. Can I just ask real quick while it is fresh in our minds, a question regarding your charts? For instance, there was a benchmark that in 180 days all cases would be settled. Who created that? Is that the governor, the legislature, or the department itself?

Mr. CUELLAR. What we did is we had the Governor's office, the executive branch, work with a body we call the Legislative Budget Board, and I have been thinking about who would be the agency to do that here at the Federal Government. They were our financial experts. They would work with the executive branch and basically negotiate what performance measures they would have. Then that information would be put in the bill pattern to us. Then the legislature would have to write and say, You know what? We think this is a little low, I think we ought to improve the measures up, or we think we ought to add this particular measure. So the legislature would come in and have the final product.

Chairman NUSSLE. So it is statutory?

Mr. CUELLAR. Yes, sir.

Chairman NUSSLE. The end result: It is statutory?

Mr. CUELLAR. The overall scheme is we started this by working on the appropriations bill, but it was part of the statutory and part of the appropriation process also.

Chairman NUSSLE. All right.

Mr. CUELLAR. But it was basically a two-step thing where, finally, once you start talking to the Congress or to the legislature, and you had the legislature saying, "You know what? We ought to change this. Why do you have these particular results?" the budget oversight and the dialogue between the legislators and the agencies greatly improved.

Chairman NUSSLE. Thank you.

Mr. Conaway, welcome to your own Committee, and we are pleased to receive your testimony.

STATEMENT OF K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. CONAWAY. Thank you, Mr. Chairman and Ranking Member Spratt. I am happy to report that the witness chairs are no more comfortable than the Member chairs. For some reason, these things all slant forward.

Chairman NUSSLE. Actually, they are very comfortable up here.

Mr. CONAWAY. I suspect they are. At the eagle's nest, I suspect they are. This is an unusual view for me. I rarely see the folks behind me, so I am glad to be here.

I have worn both hats in the Texas scenario, in the sense that I am a CPA. I have got 30-plus years' experience with dealing with budgets and strategic plans and, for the most part, watching them provide support for cobwebs and other things as they accumulate in the corner. I chaired the State Board of Accountancy, which is a regulatory agency that oversees the practice of accountancy in Texas. There are 55,000 to 57,000 CPAs, 10,000 firms that this agency is responsible for overseeing, and it worked with the Texas legislature through three sessions in that process.

The manufacturer fulfillment of this piece is the toughest part, and by that, I mean, do we really use this as a tool to effect better government? I think the evidence is pretty scant that we do, in fact, do that. Businesses maybe do a little bit better job of it, but even they have a hard time making this thing work.

As an example, something that the Committee prepared talked about, as a result of the PART analysis, the President's budget for 2006 proposed to consolidate the CDBG grants and the economic development assistance grants. So the PART tool used to affect change in the budget—we did not get that done in the budgetary process. The political backlash, the whole ownership of those particular programs overran that analysis piece of what was going on.

This whole process in Texas; I saw it work, like I say, pretty spotty, the fact that the very worst agencies were sometimes affected by the overall review process, the analysis. The best agencies were rarely rewarded, and the mediocre agencies, the folks in the middle—that is a bad phrase—all of the agencies in the middle just kind of kept pumping this stuff in, and I am not sure that the decision making—in Texas, it is much less partisan. The legislative budget board that my colleague mentioned, the Sunset Commission, or both, Members from both sides of the House, but when you are in front of them testifying, as I did several occasions, and I took the agency through the sunset process, which happens every 13 years as well, it is really not partisan at all. That does not weigh into it.

Unfortunately, at our level, in this town, that is a reality we cannot ignore because we just simply will not make good decisions separate and apart from the partisan nature of how we conduct business up here.

So the one point I would make before I shut up and answer questions is buy-in. In other words, it is easy to gloom onto these programs and to say, yes, we are doing this, but are we going to buy into it? Are we really going to run our business in this manner using these tools? And when we get the results from these tools that show us a direction, are we going to go that direction, or are we just going to simply ignore it? There will be occasions for ignoring it. Like Mr. Johnson said, sometimes you do not run everything on a dollars-and-cents basis, but that ought to be an informed ignore. It ought to have a rationale for saying, OK, our tools tell us this, but here are the reasons why we are not doing it, and those reasons for not doing it ought to be something other than just partisan politics and those kinds of things.

So I think we ought to be about this process, we ought to be doing it, but unless we are actually going to use it. Back home in my barn, I have got a tool chest full of tools gathering dust. They are nice and pretty, and they look real fine, but if I do not use those tools in trying to get something done, then I am not doing it as efficiently as I might since I do have those tools to do it.

So it is buy-in, and it is tough in this town to make that happen, given the tension between the executive branch and the legislative branch and then the further tension between the two parties that periodically swap places as to who gets to sit in the middle chair. So it is going to be a tough job to do, but we ought to be about it, but it will be hard. So with that, sir, I will yield back and be ready to answer questions.

[The prepared statement of K. Michael Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

INTRODUCTION

First, I would like to thank Chairman Nussle and my colleagues for arranging this hearing and inviting me to testify before the committee.

As my colleague Mr. Cuellar and the Honorable Clay Johnson will testify, Congress, the Office of Management and Budget and other agencies have worked to establish various forms of Performance Based Budgeting and oversight to improve performance and accountability within the Federal Government. Specifically, the implementation of the Government Performance and Results Act of 1993 (GPRA) and Program Assessment Rating Tool (PART) reflect efforts to advance this approach to the Federal budgeting process. These programs represent a solid first step in the evolving implementation of performance budgeting.

Many States, specifically in my experience, Texas, have successfully implemented methods of Performance Based Budgeting and oversight, such as the Legislative Budget Board (LBB).

My goal in testifying before the committee today is to bring to the table a general discussion, from my perspective, on how facets of state budgeting and "business-like" budgeting processes may be implemented in our own Congressional budget process.

I have examined the budget process from a number of perspectives: as a private business owner, as an accountant and member of the Texas State Board of Public Accountancy, and as a Member of Congress.

BACKGROUND

By way of background, Texas works on a biennial budget and the Texas Constitution contains provisions that limit total state appropriations. Appropriations that exceed revenue may not be made except by a four-fifths vote of each house. Basically, if an appropriation exceeds the budget, it will not be implemented without the legislature's intervention. By taking this approach, the Texas Legislature has ensured that any piece of introduced legislation that will exceed budget limitations must be effective and important enough to garner votes.

The Legislative Budget Board (LBB) was created in 1949 and requires all state agencies to submit their budget requests to the LBB for review and recommendations. The board is comprised of two joint Chairmen, the Lieutenant Governor and the Speaker of the House of Representatives; the Chairmen of the House Committee on Appropriations, House Committee on Ways and Means, and the Senate Finance Committee. Appointed members also include two House members and three Senate members appointed by the Speaker and the Lieutenant Governor respectively.

Over the years, legislation has been enacted to expand the LBB's duties to include evaluation of agency programs, to estimate the costs of implementing legislation and to establish a system of state agency performance audits and evaluations. Results of these evaluations are then reported to the Texas Legislature. This report is also made available to the public through the Texas Budget Source.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

My interaction with the State budgeting process began as a member of the Texas State Board of Public Accountancy (TSBPA), a state agency that regulates the practice of accountancy in Texas. In 1995, then-Governor George W. Bush appointed me to TSBPA. I served on TSPBA for 7 years, including more than 5 years as Chairman. During my tenure, the Texas Legislature signed into law a bill to address the need for government to operate more efficiently. Under the Act, referred to as the "Self-Directed Semi-Independent Agency Project Act", the TSBPA became a self-directed semi-independent agency (SDSI). TSBPA and two other similar agencies are the focus of this pilot program to test the concept of deregulating regulatory agencies in order to enhance their efficiency. The project is expected to expire September 1, 2009. Under this transition, the TSBPA budget was effectively taken out of appropriations process. TSBPA believes this shift allows them to take a "business-like" approach to budgeting. The SDSI structure is only appropriate for self funding agencies that receive no general revenue.

Some points of this project are:

- To make regulatory agencies accountable to their stakeholders. The agencies are also charged with operating as a business.
- The regulatory agency establishes fees charged to cover all of its operations.
- Sovereign immunity remains intact for enforcement and disciplinary functions.
- Regulatory agencies in the project are removed from state appropriations.
- Applicable agencies continue to collect and remit the $200 annual professional fee for the General Revenue Fund.
- Agencies continue to be audited by the Office of the State Auditor and pay the associated costs
- Oversight agencies, such as the LBB and the Governor's Office of budget and planning are relieved of oversight responsibilities and associated costs.
- Licensees become directly involved in evaluating the cost of operating the agency.
- Reduce the state budget.
- Reduce the number of state employees on the state payroll. (Source: Texas State Board of Public Accountancy Strategic Plan, FY 2005-2009)

The Texas State Board of Public Accountancy continues to implement its budgeting oversight measures. Most recently, under the "Self-Directed, Semi-Independent Agency Project Act", the Board has begun to implement a review program whereby sponsor's courses are systematically examined for their quality. The first computerized examination was offered in April of 2004 and will occur at regular intervals in the future. In its Public Accountancy Strategic Plan for Fiscal Years 2005-2009, TSBPA states that, "It is the opinion of the Board that with the implementation of Self-Directed, Semi-Independent Status, the Board now has the flexibility to respond to the changing needs of a global profession. This will allow the Board to function in a more business-like manner to meet the challenges of the twenty-first century." (Source: Texas State Board of Public Accountancy Strategic Plan, FY 2005-2009)

The appropriations process, including the periodic reviews of each state agency, treats all agencies the same. That process is essential for all state agencies that ac-

cept any general revenues or tax funding. The appropriations process is cumbersome and inflexible for certain regulatory agencies. The SDSI pilot is intended to demonstrate a system of operations which allows the pilot programs to function in a more business-like way. By completing the missions as assigned to those agencies by the state legislature, the legislative and executive oversight functions are set at appropriate levels to determine that agencies are run efficiently and that assigned missions are accomplished. Burdensome and redundant oversight procedures are eliminated by placing more trust in the governing board that is appointed by the Governor.

IMPLICATIONS FOR THE CONGRESSIONAL BUDGETING PROCESS

A state form of oversight is not feasible to implement on a whole at the Federal level; however, there are facets that we in Congress would benefit from examining. These components may include:

- An objective, timely, collection of accurate data from agencies
- Accountability
- Transparency to the public
- A periodic review of the need of Federal agencies

There are obviously inherent differences between the budgeting structures of states versus the budgeting structure of Congress. In a business, you have one "president," one goal. In the House, we have 435 different actors, 435 different goals, and we all have different objectives for each State we represent. However, there is one goal that I would like to think all of my colleagues can agree upon: ensuring that Federal agencies are held accountable to the taxpayers. In the current era of fiscal restraint, it would be beneficial for Congress to continue to pursue these avenues.

Once again, I would like to thank my colleagues for the opportunity to testify today. I would be happy to answer any further questions regarding my work on the Texas State Board of Public Accountancy or regarding my perspectives on performance budgeting in Congress.

Chairman NUSSLE. Thank you. Let me start by taking your example and then offering it to Director Johnson, and that is the CDBG block grant proposal that the President made, and it is only by way of example because actually the one I was going to use was Amtrak. You could use any, and no one should use this forum as a way to pick on one particular program. We are trying to learn, so it does not matter, but let us use the one that was brought up. I heard, not only from my own constituents but from a number of Members on both sides in developing the budget, that there was just no way we were going to be doing what the President suggested in his budget and what the PART came up with with regard to CDBG as an example.

Is that a good example of where the process breaks down? Where you can do all of the good work in providing the information, judging its effectiveness, determining whether a program works, determining whether there is a better way for a program to be delivered or a policy to be implemented, and then it breaks down at the political level? Are there other examples of this?

This has probably got to be the biggest challenge because you said, as an example, first determine whether it is the Government role, and that is a political decision. Mike said it is partisan, and it is often not. Take Amtrak and CDBG and farm programs and et cetera, et cetera, et cetera. That is more parochial than it is political, I would suggest. So is that where this process breaks down, is at that level?

Mr. JOHNSON. Well, there are several ways it can break down. Taking CDBG, one of the reasons that broke down was a lot of Congressmen used to be mayors, and a lot of mayors remember getting that CBDG money with no strings attached, and the idea of having strings attached to CBDG money is not popular with

mayors. If you had to come up with one simple reason why that proposal failed, it is for that reason.

When the CBDG program was evaluated, there were four different categories. One of them is design purpose. The score for purpose of CDBG was zero. It was not a low number; it was zero. There was a lot of discussion about what CDBG was supposed to accomplish, and we have spent $110 billion in the last 25 years with no defined purpose. This was pointed out by the PART.

So the proposal would let us be more specific about what we are trying to do with this CDBG money. Specifically, what the program is theoretically supposed to do. Is it is supposed to help create economic vitality in areas where it would otherwise not exist: low-income, low-socioeconomic areas? At the same time we were looking at that, there were a number of other programs that deal with CDBG-like goals, 30-some-odd programs, and they have different definitions of what success is, very different definitions of what economic vitality is, so they worked at cross-purposes; they were inconsistent with each other.

So the idea was to let us take the opportunity not only to more clearly define what CDBG is about, but let us look at combining some things with CDBG, take it from 30 programs,—I think we were combining 14 programs together—get it down to 3, 4, or 5 programs and rationalize them, be much more specific. And hold local municipalities accountable for what they spend their money on. If they can spend it on the very same things—some cities spend it on building inspectors, which does not sound like it is directly related to creating economic vitality, but if that is what the city wants to spend it on. But they have to show, on an annual basis or whenever they have to come back for more money, how they spent the previous money and how they went about creating economic vitality with the money they got from the Federal Government.

Cities were not interested in that and let their Congressmen know that, and the Congressmen who used to be mayors knew that they would not like that, and so huge disinterest in tightening up the specs and creating a more specific purpose for how we spend $4 or $5 billion a year. So that is one reason. People would rather have unfettered money, free money, than not free money. They would rather be held not accountable than accountable.

A lot of money we give and spend in the Federal Government is given to other people to spend to do good things, and so a lot of the way we make programs work in the Federal Government is to hold local grant recipients, if you will, more accountable for how they spend their money.

Adult literacy programs; we do not know what it costs to teach an illiterate adult how to read. We spend $500 million a year on adult literacy programs and cannot tell you what it costs. We have done this for years. We cannot tell you what it costs to teach an illiterate adult how to read. We do not hold local adult literacy programs accountable for taking this amount of money and producing a certain number of literate adults with that money, that is nuts. We need to figure out how we are spending this money, and if we are spending $500 million to teach illiterate adults how to read, we

need to figure out how many people that should teach how to read and make sure it happens.

So I think one overriding thing is recipients would rather get money where there is no accountability than get money where they have to be held accountable. So when you start trying to tighten the specs, they are going to let their Congressmen and their Senators know, and they are going to resist that, and it requires discipline, what Mike talked about. It requires discipline; it requires a commitment, and it requires it being a priority to really make it happen.

This is a very long answer to your question. We PART'ed 20 percent of the Federal programs each of the last 4 years. By the end of this year, we will have PART'ed 80 percent of the programs. And we get some appropriations subcommittees that have welcomed the use of performance information. Others have not only resisted it, they have tried to write into law that we are not allowed to send performance budgets to them.

So there is a wide range of receptivity up here on the Hill to the use of performance information. One of the things I hear—I just cannot believe it—as one of the reasons why Members and Senators resist the use of performance information is they do not like the hassle of having to explain why we are funding programs that do not work. I refuse to believe that, but that is what some people contend.

Chairman NUSSLE. It was a long answer, but it was a good answer. This is where the rubber really hits the road. It is great to have this conversation, but we have got to figure out how to——

Mr. JOHNSON. It is what Mike talked about. There has to be the will to follow through. Somebody made the comment that it would take a generation to really fully realize this. This is not a one- or 2-year deal. I do not know about a generation, but we have been working at it for 4 years. We do not have performance information for all of the programs yet, but we will at the end of next year. But it takes an institutional commitment to make this happen.

Chairman NUSSLE. Well, under the theory that every long journey requires the first step, if CDBG, Amtrak, or whatever one you want to use as an example is a poster child of where it maybe is not working very well, what would you suggest as a poster child of where it has worked well? Where you have been able to put this up, and Congress has responded, and effective change has been made, and you took it from a zero or a low number to a very high number?

Mr. JOHNSON. The primary use and value of the PART to date has been in getting programs to work better where it does not require Congress——

Chairman NUSSLE. [Laughter.]

Mr. JOHNSON (continuing). Where we could change the focus of the program, where we could change the management of the program, where we could change what the definition of what "success" is. It was not meant to be a negative comment about Congress.

Chairman NUSSLE. You are going to put Congress through a performance review next.

Mr. JOHNSON. No, no. That was not meant to be a negative comment.

Some examples of several reasons, for instance, why a program might fail: The Even Start program is considered to be ineffective, however, it is working the way it is designed to. Things are happening the way it is designed to, but the belief is that these programs working with low socioeconomic families with children between the ages of three and seven, which has been studied three different times nationally, has been proven to be ineffective. It is a nice idea; it just does not work.

And so because PART has been used to drive us to that firm conclusion that it just does not work, the Department of Education is looking to take that same money and put it to effective use somewhere else. The Department does believe that focusing on reading skills at an early age is an important thing to do, and they are taking those monies from Even Start and putting them into early reading programs, or they would make that budget recommendation.

The Juvenile Accountability Block Grant program is also considered to be ineffective. The reason it is considered to be ineffective is there is no defined goal. There is a lot of language about how great it is to focus on juvenile problems, but there is no definition of "success," and so the money goes out, and you do what you want to with it. The way to make that work is to have the Congress be tighter about what it is we expect to have happen, and once we have that in the legislation or in the enabling legislation—I do not know if it can be done by any other way—then you have measures with which to hold grant recipients responsible for how they spend the money.

So, in one case, stopping the program would be the response to deal with ineffectiveness. The other case is let us tighten up the specifications, and that would be the recommendation for CDBG. Let us tighten up the specifications, and at the same time, we have all of these related programs that do not make any sense and are not clearly defined. Put all of those together, and make it easier for people to come and get money to use to accomplish their desired goal.

The thing that the PART does, or the program assessment does, it causes not just Congress, not just the appropriators, not just the budgeters, not just the people in the executive branch; but it causes all of us to start off by saying, "We are spending money. Does this work?" And if the answer is no, or in a lot of cases, I do not know, then we are committed to go do something about it, to not let that pace, that situation, persist.

It is inexcusable for all of us to continue to allow money to be spent if we know that it does not serve a purpose, or if we do not know what purpose is served. In both of those cases, we should be committed to do something about it, and the kind of information that Henry talks about helps us do that.

I am glad you all could come to my testimony here. Some appropriations subcommittees are very accepting of performance information and like it and have made the transition. One way to do it would be to try to take one that really wants to do it, take one or two, or take some agencies, and have them be the models. Encourage them, support them to go way ahead to get to a really advanced state of this and to show the rest of the agencies and the

rest of the subcommittees how this can be done. I bet that you could get some fantastic best practices out there in a year or two because a couple of them have already made the start. Some of them are still very resistant, but I will bet we could find a couple to get out ahead of the pack and report back, "Come on in. The water is fine."

Chairman NUSSLE. And then, for my friends from Texas, my understanding is that one of the reasons why the Texas model and other State models seem to be somewhat more effective in accomplishing performance budgeting and using performance and results measurements as a way of making decisions is because there is an independent administrative board. There is a third entity that is helping to broker the decision-making process here that has power that is at least equal to or greater than the legislature or the executive in helping to manage this process, which we do not have. Unless you see a likelihood, I do not see a likelihood, of us creating yet another super agency, unless you do. Is that really the big difference between success here, that there is another agency that is out there?

Mr. CUELLAR. Mr. Chairman, if I can respond to that.

Chairman NUSSLE. Please.

Mr. CUELLAR. This agency does not have more power than the legislature or the executive branch. They are part of the legislature. They work for the legislature. What they do is they work with the executive branch to work out the performance measures. That is all they do. They do that. Then we also have the State auditors office that comes in and verifies——

Chairman NUSSLE. Right.

Mr. CUELLAR (continuing). That the information that has been provided is accurate because you do not want to get trash in and trash out. You want to make sure that the information is accurate. But the ultimate decision-makers are going to be the legislators. With all due respect to Clay, he is talking about the executive branch making a decision on their own agencies that are ineffective.

To me, I believe that should fall on the legislature, on the Congress, because—if I can have one of the slides up there—we can talk about CDBG, Amtrak, or Even Start, any of the programs, and ask you if the legislature was ever asked any of the questions, the questions on the performance, the basic questions that should be asked by legislators, and I would ask any of the Members here if anybody ever asked any of those questions.

For example, if you are talking about CDBG or talking about Amtrak or Even Start, did we ever ask, what is your program's primary purpose or purposes? If you ask anybody here, Mr. Chairman, and I might be wrong, but did anybody ever say, this is the purpose, and if it is not the purpose, that we start getting into the dialogue where we change the purpose. Which citizens are affected? What are the key results that are expected from this use of taxpayers' funds? What do we expect our cities to do? I do not think we are ever asked this.

In Texas, we had contracts. Anybody that dealt with the State of Texas, we put performance measures. Any grants that went out to any of the local entities had performance measures. So we had

performance measures to anybody that got State dollars, but I ask you, did anybody ask any of those questions? What were the results in the most recent years? How do you compare those results to your targets?

When somebody comes in and tells me, and I do not mean this in a bad way, but says, "CDBG is doing a bad job," or "the Amtrak is doing a bad job," or "the Even Start is doing a bad job," I appreciate their input, but I want to know that we, as a legislative body, ask those questions instead of somebody saying it is bad, it is ineffective, or it has out-used its purpose. I want to know why, or do we have an opportunity to change those goals or those primary objectives of that agency. I do not think we have done that. I really, sincerely do not think, and it is hard. I agree with Clay.

Chairman NUSSLE. Take CDBG as an example. Even though the administration's score under the performance analysis is a zero, you cannot tell me that you cannot find anywhere in the country, and please do not misunderstand my point in saying this—it is not necessarily to be argumentative, but you cannot say that this has never worked anywhere at any time anywhere in the country. That is not the case. It is not the case, even though I can certainly, and I think a lot of Members, can say Amtrak needs to be reformed and all sorts of things, but you cannot say it is not serving at least somebody somewhere.

So even though under somebody's results standard, which is subjective,—it is not ever objective, I do not think—it is always subjective, whatever standard—it is always in the eye of the beholder, whatever standard you put out there, but according to somebody's subjective standard, these programs are working, even Even Start. You cannot say that no child anywhere did not get at least some benefit from throwing money at Even Start or that no adult did not learn how to read under adult literacy programs. It may not be working as well as somebody's subjective standard, but you cannot say it has never worked for anyone anywhere. I do not think that is possible.

Mr. CUELLAR. Right. I understand, but the question is, you are talking about somebody's standards; I am talking about our standards, the Congress's standards. I think we ought to set certain standards so we can have a healthy debate to ask those questions. What are the standards that we are looking at? What are the measures that we are looking at? What is the true purpose of Even Start or CDBG? What results are we getting for those billions of dollars that we sent down there?

I do not think it is right that we can say, "Well, those mayors or those governors, all they want is the money, and we are just going to send it because they do not want any strings." I think we should still, for the billions of dollars we send out or millions of dollars that we send to a particular area, I think we should know what we are getting out of those billions of dollars. It is our oversight, and with all due respect to anybody else, but it should be the Congress's standards that we set here, and working with the executive branch, of course. It is a negotiated process.

Mr. JOHNSON. No slight intended.

Mr. CONAWAY. A part, though, of gathering the information and having the data is to understand what it costs. If it costs $100,000

a year to teach somebody to read, is there an alternative to that? Do we hire somebody for $20,000 for 5 years to read whatever that person needs read? That is a ludicrous example, but if we do not know what things cost on a per unit basis or a per example basis or a per outcome basis, we do not make as informed decisions as we might.

The legislature also has to resist overriding the situation. As an example, we did our budget there at the State agency I helped with—it is an accountancy board, so you would expect the budgets to be pretty precise—on our travel. We do have meetings we are going to have next year. We knew who was coming and where they were coming from and whether they were spending the night or not. So we had this pretty detailed analysis of what our budget number was, and we submitted that as a part of our appropriations request. One of the agencies somewhere in the system sent 15 board members to Alaska for a national meeting, and it offended some in the legislature.

So after all of the work was done, all of the scrubbing by the Legislative Budget Board, all of the scrubbing by the Governor, all of the scrubbing by the Senate finance, all of the scrubbing by the House Appropriations Committee, somebody added a rider right at the last minute that said, no matter what you spent last year, you can spend only 90 percent of that number, not what you budgeted, not what you thought your costs were going to be, but just a 10-percent haircut, not for the agency that did the dirty deed, every agency. So I rarely spanked all four of my kids at the same time. I would spank one of them, and the other three would become angels. I will probably get in trouble. Yes, I use corporal punishment.

Mr. CUELLAR. Your wife is here.

Mr. CONAWAY. Spare the rod, spoil the child, and I do not have spoiled children, exactly.

So the legislature has to be careful in that you set this elaborate process that ought to get the results, and then, with all due respect,—he was probably there—a knee-jerk reaction to one agency run amok, let us go after them. So the legislature has got to be careful about putting in overrides to the system that are not informed overrides.

Chairman NUSSLE. Well, I want to thank you. My only point in this—I like the concept—my only point in this is that we are talking about the results, the results, the results, and the results are based on measurement. I agree with—I think it was Edward Demmings that said, "If you can measure it, you can improve it," and I agree with that concept. The issue, however, is who gets to hold the ruler, and what is the unit of measure? If that is up to me, it is going to be a perfect system, to me, but it may not be to Mr. Spratt or to you or to somebody else.

So I think how you hold the ruler and what the ruler unit of measure is, is a huge stumbling block here, I would assume, in getting this. I will give you the last word, Mr. Johnson, and then we will move on.

Mr. JOHNSON. I do not want to dominate the last word, but I do have a comment on a couple of things that were said.

Chairman NUSSLE. My last word, at least.

Mr. JOHNSON. OK.

Chairman NUSSLE. I will give you my last word.

Mr. JOHNSON. Thank you. There has to be a stated purpose. On the CDBG, it was the purpose score that had a zero; it was not that the program overall was zero. It was well managed and so forth, but there has to be a stated purpose to begin with, and a lot of our programs do not have clearly defined, stated purposes. In those clearly defined, stated purposes, the intended goal can be defined, and you can, from there, lay out the appropriate metrics. It starts with the legislature. So it is not some other entity that decides what the goals are; we will decide. We, together, will decide.

The other point is we, in some businesses, do things that are very hard to measure. How do you measure the success of the Drug Enforcement Agency? It is not the number of interdictions. Is it the quality of drugs? Is it the price? It is very hard to measure. But shame on us if we are not always trying to find better and better ways to measure how we are spending the money, and we are going to come up with some measures on these PART scores. Some of them are really good. Some of them are good first steps, and next year we will find better measures and next year.

That is why it is an ongoing process. It is a commitment to a way to run the railroad. There will be some programs that are more clearly defined where the metrics are better than other programs, but it is a mind-set more so than it is a specific series of acts that has to take place, and it takes that commitment that this is the way we want to run this "railroad," and it is a journey, not a destination and you get better and better at it every year.

Chairman NUSSLE. Thank you. Mr. Spratt.

Mr. SPRATT. Let me share with you a little experience I have had with this topic that you are struggling with today or grappling with. Years ago, I served in the Army as a young officer in the Department of Defense working for the assistant secretary of defense. Mr. Laird was the Secretary of Defense, and he came up here to testify. This was near the end of the Vietnam War, and there were huge overruns on a procurement, major weapons systems, but there was not ability by which to measure those overruns because there was no baseline to begin with. Nobody had defined a baseline for scheduled performance or cost.

Mr. Laird had seen something that had been done just experimentally by Booz, Allen & Hamilton, and he told the Senate when he was pressed that he felt sure that they could implement an acquisition process whereby there would be variance reporting: schedule, cost, performance. He did not know what he had bitten off until he got back to the Pentagon and found out what he had seen was just one small piece of a much, much bigger problem, but he was committed to it, and he stuck by it. I think Laird and Packwood were the best team that ever managed the Defense Department.

I happened to work in the office where the SAR, selected acquisition report, was developed. When I came here to Congress about 12 years later, one of the first things I did when I got on the Armed Services Committee was to go down and pull the SAR to see how the SAR was doing. And of interest to me, it looked exactly the same way it did 12 years before, and I eventually found out that because we did not use it here, partly because it was not useful,

it did not become more useful. There is a circularity to it, and when it is used, it becomes more useful because we see what works and what does not work, which information is useful and valuable and which information is not, and it gets honed down to being an effective instrument.

One of the problems I have with PART and, I think, with the GPRA (Government Performance Results Act) system, too, is Congress is not wired into it. So one of the principal users of it does not use it. We do not resort to it frequently. If we did, we would say, "This is no good. This is not the goal we set. This is not what we are trying to achieve. These numbers are not credible," or "This is useful. Hey, this is good information. This is working. This is not working. This is where we should allocate scarce resources."

Let me ask you, Mr. Johnson, about DOD and OMB. Are you working in any way to perfect their information reporting systems and, in particular, that cost performance and schedule variance report?

Mr. JOHNSON. Well, I do not know about that particular report, but, for instance, a whole a lot of GAO's high-risk items involve DOD, and one of the things we are doing is working with DOD and GAO to take each one of those items, and let us clearly define some of the things we have been talking about today. What is success? Supply chain management? What is the desired state of affairs for supplying chain management? What do we want it to look like, be like, smell like, so forth? What do we have to do to get there? What are the action steps we have to take to get there, and who is accountable for each one of those action steps?

So lots of clarity, lots of accountability, and then make sure there is rigorous, every 6 months, every quarter, whatever, oversight that we are, in fact, proceeding along that action plan as designed. We have done that with supply chain management, and GAO is pleased with the product, and OMB is pleased with the product.

Mr. SPRATT. How does it interface with GPRA? How does PART, your assessment system, results oversight system, interface and integrate with what was already in place?

Mr. JOHNSON. OK. I agree with David Walker that GPRA has not lived up to its full potential, but it can. As you said, it has laid a foundation. The PART, in my mind, is the tool that helps us take this focus on accountability to the next level. In general, I think that looking at the effectiveness of an entire agency is not the proper unit of measure because of an accumulation of programs, a wide diversity of programs. So I think the real way to look at how an agency is doing is to look at how its most relevant units of measure are doing, i.e., the programs.

So, to me, the PART, which focuses on programs, provides information that allows us to go into an agency and go down to the relevant unit of measure and start looking at this piece works, this piece does not work, we can do this to make this work better, we can keep this the way it is, and so forth. So I think it allows us to take GPRA, the focus on results, to a more meaningful level of detail, as you said, build on the foundation that has been laid in the last 10 years with the development of strategic plans by agency.

Mr. SPRATT. Don't you think somehow Congress should be wired into it so, No. 1, we are encouraged at the outset of inaugurating some new program or some new agency to define its goals so that we can have a baseline to come back and measure its performance against, and we sort of share that with you so you would have your goals, we would have our goals.

Mr. JOHNSON. Yes, sir. I agree totally with that. We all need to be looking at one set of goals. I agree totally with that.

Four years ago, we assessed 20 percent of the programs, so there was a little bit of performance information around, and so you could not sit down with a committee or an appropriations subcommittee and talk about HUD (U.S. Department of Housing and Urban Development) or talk about Interior because you only had a little bit of information. So what has happened is we are now getting a critical mass of performance information to do exactly what you have talked about where we can look at all of the programs at an agency and start looking at the potential use of this information, and one of our big stumbling blocks initially which made it sort of not appropriate to start dealing with Congress was we had resistance within the agencies.

They were reluctant to focus on results because their feeling was—there was a lot of skepticism, and the thinking was all we want to do is to get rid of programs. They came to understand, after about 2 years, that it was about getting programs to work better, which is what they are for. So now they have embraced the use of performance information. So now that they are integrally involved and fully involved in developing good performance measures; now it is the time to work with Congress to get us to come together on agreement on what these goals are, now that we have good goals to even talk about or good performance measures to talk about.

So I agree totally with what you are calling for. I think 3 or 4 years ago, it would have been inappropriate to do that because it would not have been a very long conversation.

Mr. SPRATT. I notice, if our numbers are correct, that of the 607 program assessments that PART has undertaken, only 23 apply to the Department of Defense. Are you sort of letting Defense do its own internal management? Is there adequate oversight?

Let me give you an example. We are building now the next-generation carrier, and it will cost at least twice, probably more than twice, what the previous carrier cost. To justify that kind of hike in the expenditure, we need to get lots of utility, lots of useful life, and lots of our cost savings out of manning levels and things like that in the new carrier. Is OMB looking over DOD's shoulder to see that, No. 1, a baseline is established based upon what is being represented that the new carrier will do, and somebody is holding those responsible for pushing these expensive new systems accountable?

Mr. JOHNSON. I do not know specifically about the carrier, but we do work with DOD to make sure they have defined goals, defined purposes, and how the costs match up to the benefits. I do know that we were helpful to get DOD to the point—I think it was 2 years ago—where they actually canceled a weapons system.

Mr. SPRATT. Which one?

Mr. JOHNSON. It was the Comanche helicopter system. I do not know when the last time a weapons system was canceled. It does not happen very often, but the stated purpose for that helicopter system no longer existed, and it was decided that it could be met with other weapons systems, exactly the thing you are talking about that is hard to do at DOD. But we are working with them to do the kind of thing you are talking about, and there are a lot of influences that go into whether a weapons system is canceled or not, as you know, and performance and stated purpose is one of them.

Mr. SPRATT. Well, take a look at the selected acquisition report. As I understand it, DOD, the Office of the Secretary of Defense, really has its own system. It does not rely on the SAR. They give us a SAR, which is sort of like giving us crumbs from the table. See if you think there is an adequate cost variance and schedule, information reporting system at DOD. I would love to talk with you.

Mr. JOHNSON. Their whole acquisition process is one of the high-risk items, and it is a lot of money. That is one of the areas that we will lay out and work with them to define a successful state of affairs that we want to get to and determine an appropriate time frame to get there or a reasonable or realistic or aggressive, or whatever it will be, time frame for getting there because they want all of those items to be low risk, not high risk. They are very complex, as you know way better than I, and we need clarity about where we are trying to go with each one of them and accountability, lots of clarity, and lots of accountability.

Mr. SPRATT. Mr. Cuellar, you showed some interesting presentations when you put your display up about how information was presented to the Texas State legislature. How would you adapt that kind of experience to our experience here so that we have a format—you would probably have to vary it from program to program, but we have a format that would elicit the kind of information that would be useful to us, the appropriators, the authorizers, in deciding which should be pulsed up, which should be eliminated, and so forth?

Mr. CUELLAR. Well, I think that the basic premise that we have got to look at is if we do not find a mechanism—I think this is what the chairman was also alluding to a few minutes ago—if we do not find a mechanism to get the legislature involved and working on setting those goals and those measures, then we are not going to know if those programs are being effective or efficient, whether we are getting the best bang for the dollar. The whole key is going to be how do we—I think your terms were, how do we get wired in in this work that we are doing? If we do not get wired in or connected in this process, then it is not going to work. We can have all of the will and all of the commitment, but if we cannot get connected and make sure that we play a role in this, it is not going to work.

Just by the list of the questions that I gave, just a show-and-tell, the list of questions there, if we just asked every single agency those questions, we would be amazed. I think that probably the first one would probably bring a lot of debate. What is your primary purpose? If you asked that question, the agency might tell

you something, and somebody at OMB might say something else. We might feel that it is a different purpose. If we cannot even get past that first question, it is going to be hard to get the rest of the work done also in providing our legislative oversight.

Mr. SPRATT. Well, we have got Mr. Conaway and Mr. Johnson.

Mr. CONAWAY. Mr. Spratt, one of the things that works in Texas, and I hate to keep bringing it up, but that is our example today, is a Sunset Commission. Now, built into the statute of every agency is a drop-dead date whereby, after 12 or 13 years, if the legislature does not renew that function, that agency, or whatever, then it goes away. Two years before that sunset date goes through, each agency is put through a very rigorous review of everything they do, all of their purposes, all of their standards that they are supposed to be meeting, all of their regulations that they have written, all of those kinds of things.

Kevin Brady has got a bill that would create a Federal sunset commission or Federal sunset board that would help us start. Part of the problem is we have got an awful lot of stuff going on, $2.56 trillion worth of stuff going on. Where do we start? Well, one way is to put every agency through a very rigorous self-examination, as well as an examination by a bipartisan group, that would force them to justify their existence and allow the legislature, this Congress, to take a look at each one of them and say they ought to stay alive or should not. So it is a helpful program. It is not perfect, by any stretch of the imagination. You run into all kinds of problems with it, but at least it gives a chance.

The other thing it does is it allows that group to help agencies share best practices—the chairman mentioned best practices a while ago—across agencies because they become little fiefdoms among themselves and have resistance to some of the improvements that other agencies have made without reinventing the wheel. So there are a lot of positives that would help set the stage to go forward if we ran every agency through this program.

Mr. SPRATT. Mr. Johnson.

Mr. JOHNSON. Congressman, the questions that Henry talked about; almost all of those questions are asked as a part of the PART process. What is your purpose? How are you serving your customer? How do you measure success? What are your results? Almost all of those questions are asked as a part of the PART process. All of that information is available to the public, the answers to all of those questions. They are on an OMB Web site. You have to be able to speak our version in English, but it is all there.

Are there better ways to ask the 26 questions? There are about 25 or 30 questions. Is there a 26th question? Certainly. We will figure it out, and we will get better. The PART is a good first step in the direction of trying to provide that information for us to talk about, agree on, and go from.

Mr. CUELLAR. And what I am saying, Mr. Chairman, if you would allow me, is the work that they are doing is good. Clay has been doing an excellent job. My whole point here today is——

Mr. JOHNSON (continuing). How to use it.

Mr. CUELLAR (continuing). How do we get the legislature to use that information and ask it? All of that information is available somewhere, but the question is, when we are making the decisions

on those agencies, are we asking those questions there? If we can somehow get connected with the OMB where we can get that information from Clay in an easy format that is easy to understand instead of, and I am sure you will not do that to us, providing us 2 or 3 inches of information, but in an easy format, that will go a long way for us to do the constitutional duty that we have, the budget oversight.

Mr. SPRATT. Thank you very much, all three of you, for your testimony. I have got to go to another meeting, but I have learned a great deal from this, and I hope this is a beginning. We can talk about it further.

Chairman NUSSLE. Mr. Chocola.

Mr. CHOCOLA. Thank you, Mr. Chairman. I appreciate you holding this meeting. I have not been in Congress long, but this is the first time that the discussion has reminded me of my previous life as a business owner, with performance measurements and so forth. One of the things I learned—maybe you just answered the question, but one of the things I learned in my previous life was there are different elements to the budget process. There is developing the budget, and there is executing the budget, and you can only conduct those efforts successfully if you have good information.

And so using Mr. Conaway's example, is there a barn with a dusty toolbox around here somewhere that Members of Congress can access? I mean, it is hard to get information on our MRA, timely, accurate information as to how we can manage our own office, let alone the entire U.S. Government. So is there someplace that you can direct us, as a Member of Congress, where we can get usable, timely information? Mr. Johnson.

Mr. CUELLAR. Let me just say, that is the whole point I have been making today, is that the information is out there, and I am sure that Clay would say and Mr. Johnson would say that information is out there. There is a way that we can get it timely so when we are making the decisions, instead of saying, "Well, somebody go check a Web page somewhere," or "Somebody send me the books over here," there is a way that we can put this in an easy format for us to ask those questions and get that information, good information, then I think that would make our job easier because I think that is the problem. And I am just in my first 6 months here, so, with all due respect, my perspective is that I do not think we have that information in an easy format where we can look and make those decisions.

If you recall, the budget format, as an example, the 1970s, 1980s, and the 1990s, in the 1990s format that information is there,—the purpose, the goals, the objectives, the performance measures—and like Clay said, it is a continuous refinement of those performance measures. They keep changing on it, but that is where the dialogue comes in with the Congress and the agencies.

Mr. CHOCOLA. Mr. Johnson.

Mr. JOHNSON. There is no one place. It does not exist like that, no one place. The answers to some of those general questions like what is the purpose, and what are your results versus your goals and so forth, that exists on a Web site for ready access. We are creating a lay version of that to try to bring public transparency to it all, again, to sort of help drive the dialogue about it. But more

specific customer satisfaction numbers and turnaround time numbers; that exists in various places.

I was having breakfast yesterday with a Senator, and he was complaining that on one of the agency Web site's most recent performance information they have is from 2001, and it was just driving him nuts. Now, the information is nice, but it is 4 years old. It is like there is almost a purposeful goal to not give them anything that they could use to make a decision one way or the other.

I think it would be fantastic if Congress said, "We want more information with which to make these decisions. Let us figure out how we can establish recency standards, level-of-detail standards, customer satisfaction, all of that and build toward it." That would not be done overnight, but that would be a huge statement by all of us that it is that important, and we want to factor all of that into our decision-making process.

Mr. CHOCOLA. When is the Web site going to be available that you mentioned?

Mr. JOHNSON. Well, we hope to do it this fall. In fact, we have focus groups next week to actually go talk to people to see if people other than ourselves think it is a great idea. We hope to do it this fall.

Mr. CHOCOLA. Just one other thing.

Mr. JOHNSON. Excuse me. But the information, in OMB terms, exists today and has for the last 4 years.

Mr. CHOCOLA. Just one other thing. In my previous life, all of our incentives were around identifying problems and getting rid of the problem, solving a problem. In government, it seems that the incentive is to perpetuate problems because God forbid that we solve a problem because we will not fund that effort anymore. Will performance-based budgeting, do you think, effectively address that?

Mr. JOHNSON. It can be. Again, what would you like to stop doing, and what would you like to start doing? These kinds of questions you ask drive actions, and that can be structured any way we want.

Mr. CHOCOLA. Do you think a 2-year budget would assist in this effort in spending a year going through the budget and at least a year in oversight, which I agree that we do not focus on enough around here?

Mr. JOHNSON. Yes. We support the notion of biannual budgeting.

Mr. CHOCOLA. Thank you, Mr. Chairman.

Chairman NUSSLE. What is the Web site that you have now? You said it is on the Web site now?

Mr. JOHNSON. Right. It is OMB.

Chairman NUSSLE. Is it OMB?

Mr. JOHNSON. It is *www.omb.gov*.

Chairman NUSSLE. OK.

Mr. JOHNSON. We can send that to you, if you want.

Chairman NUSSLE. We are linked to it.

Mr. JOHNSON. Very good.

Chairman NUSSLE. Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman, very much. This has been very helpful.

These are hardly new concepts, I think. Certainly, President Carter embraced the notion of zero-based budgeting. Secretary

McNamara at the Defense Department during the Kennedy-Johnson years, he embraced the notion of planned program budgeting. I used it in my former life, my youth, as the mayor of Springfield, MA. But I guess——

Mr. JOHNSON. I did not mean any negative comment about mayors. I was just kidding, sir.

Mr. NEAL. Believe me, if you are served in those jobs, there is nothing anybody could say that would hurt your feelings. [Laughter.]

But I guess I would dispute a couple of issues based upon the notion of the way our system is supposed to work in the constitutional galaxy.

I think of CDBG because I know that mayors and governors tend to like CDBG, and one of the reasons it has worked so well, and I would defend it arduously, is that President Nixon had the right idea. The democratic majorities in the Congress had the right idea. On the issue of housing, it is a national problem, but it may well be different in Springfield, MA, than it is in San Diego, CA. Therefore, the Federal Government would acknowledge the national problem, but mayors, governors, and neighborhood groups would help with the remedy.

Now, I think you can measure CDBG. If a community like Springfield had, in 1973, 14,000 substandard units of housing, and 15 years later had 3,000 substandard units of housing, I think that is a very precise and exact measurement. If you can drive down the cost of dental problems by using some of that money to pay for a voluntary fluoride rinse program in the public schools, I think, for poor children, that is the way to do it. Since there is not a lot of support for putting fluorine in the water supply, you can do it with a voluntary program and use those dollars, and if you can determine that fewer children end up in a Medicaid program with dental needs, I think that is a success.

I think you can measure the COPS (Community Oriented Policing Services) program that was wildly popular across the country as a success, largely because crime rates did go down, and even the smallest towns across the country were able to purchase new technology for doing a better job of combating street crime on a daily basis.

Now, having said that, I acknowledge that police visibility is in dispute as to whether or not that does drive down crime, and that is a very difficult measurement. But my point, I think, here is that there are exact measurements. Community development block grant money has worked very well, and it is very popular with mayors and governors across the country. If you had Democratic mayors sitting in this room, they would say it is great. They would say save that. If you had Republican mayors sitting in this room, they would say, if they only had one program they could save, it would be community development block grant money because it allows them some solutions.

Now, I also think it is important to point out that there are other issues where there is difficulty in measuring it, abstinence-only programs. The jury really is out, but the Congress keeps pushing money in that direction, and we have not seen the sort of success there based upon the investment, and I think that there would be

some agreement on that. But the philosophy takes over, and instead of coming to an initiative that might work, we insist on pushing money toward something that does not work only to satisfy ourselves in a philosophic vein.

So I think what you are talking about is very desirable, and it should be the continued goal of all of us here in the Congress, but I do want to defend performance initiatives as they relate to community development block grant money. I think you can measure it. There are some problems, sure, and I think Mr. Conaway mentioned something that was interesting. He said, those people who took off, some 15 people, to Alaska for a conference; well, you can measure that because the press wrote a very bad story about it, I assume. Congress reacted, perhaps overreacting, as we typically do, as you know, but, nonetheless, that builds in the accountability that we all desire, and I am happy to hear from you on substandard units of housing, abstinence only, COPS programs. I think you can measure those things.

Yes, sir. Mr. Johnson.

Mr. JOHNSON. I think you can measure. The problem with CDBG is it required no measurement. It did not require municipalities to report back and say, "Here is how I impacted these low socioeconomic areas with my money. Here is how much I spent, and here is the good I did with it." It was not that kind of accountability. HUD has very much agreed with that, and so they are tightening those specs, and what the CDBG proposal was about was tightening those specs but also taking these other programs and instead of having all of these disparate programs, bringing them together where it could be managed effectively. We agree totally that they are measurable, but the program, as it was structured, did not call for reporting on what was happening as a result of the money.

Mr. NEAL. Well, I thought that there is, if you hang around in political life long enough, a certain level of justice that is reached because I used to point out to those HUD auditors that used to regularly review the CDBG program during my time as mayor that they used to audit me and ask me a lot of questions, and I subsequently got elected to Congress, and then I audited and investigated them. So, in that sense, the system worked quite effectively, and there was a sense of justice as it played out.

Mr. CUELLAR. Mr. Chairman, I do not know if the gentleman is here, John Mercer, who used to be the mayor of Sunnyvale. Sunnyvale, CA, was probably one of the first cities that started doing performance-based budgeting. They were able to do the measurements as to the streets, how much work they did on paving. There is a series of areas where you can get ideas as to what sort of measurements you can get. I know that the National Conference of State Legislators just came out with a book called Legislating for Results that pretty much lays out the steps as to what staff is supposed to be doing, what the legislature is supposed to be doing, that could provide some sort of framework for the work we are doing. There are ways of doing this.

I remember when I added the performance measurements for all of the agencies in the State of Texas—this was started under Governor Ann Richards, and the big question was, when Bush was

going to come in, was he going to keep that system? He kept, and, in fact, he improved the system with Albert Hawkins and some of the other gentlemen, other folks, up there also. When Rick Perry came in, the same thing: It got extended, and it got improved.

So it really does not matter if it is the Democrats or the Republicans, sir; it is a commitment that Mike talked about, making sure that we keep focused on the measurements.

But the bottom line, just to give you an example, there are ways to measure things. When I first added the first measurements to all of the State agencies, the people who wore robes were the ones who had complaints about this, the academicians and the judges. Judges used to say, you cannot measure justice. Well, there are things that you can measure in the work that they do, the output that they do. Academicians also said, well, you cannot measure us. Well, of course, you can measure education. What are the retention rates? What are the graduation rates? There are a lot of things that you can look at.

So there are a lot of measurements that are being used out there that we can use ourselves. Instead of reinventing the wheel, there are measurements we can use out there. Of course, it is up to us to decide what measurements and what goals and what purposes should be out there for that. So I agree with you, Mr. Neal. There are a lot of things we can measure out there; it is just up to us to decide what to use.

Mr. NEAL. Thank you, Mr. Chairman.

Chairman NUSSLE. Mr. Ryun.

Mr. RYUN. Mr. Chairman, first of all, I want to thank you for holding this hearing. I think we are all very interested in a common goal, and that is how to get more bang for our buck and to help those who watch programs develop.

My question relates to how do you keep from rewarding failure? Now, most programs here are geared towards, you know, something that we start with good intentions of helping people, and ultimately the budget continues to grow, and then there comes that moment of how do you then wean somebody off a program that they have become accustomed to.

So my question relates to, and I guess I will start with Mr. Johnson, how do you address the problem that somebody with, again, good intentions to help someone, now that is no longer necessary, but the program is there, and they are still expecting that? How do you wean them off of it?

Mr. JOHNSON. I will bet the answer is different for every program, but, in general, I think, the biggest issue is not what are we trying to do but how do we go about doing it; it is that tough transition period. My suggestion would be to leap past the transition that you are going to have to figure out how to do.

Go out 5 years and define the new state of affairs we want to exist 5 years from now or 8 or 4 or something years from now and get everybody sort of wrapped around and enamored with that goal and excited about what the new state of affairs can be, and then say, "All right. That is where we want to go. Now, how do we get from here to there?" So all of a sudden you have got a vision, a long-term vision, that gets people excited, and all of a sudden the difficulty of getting from here to there becomes a little less.

You get people a little bit more enamored with how to make those tough calls and how to manage through that tough weaning process. But in terms of specifically how you wean somebody, I think, at some point, you can give him interim things to go to, but, at some point, you just have to stop.

Mr. RYUN. It is a lot easier probably said than done, though, because once you get dependent upon something, it is pretty hard to let go of it.

Mr. JOHNSON. Right.

Mr. RYUN. Yes, sir?

Mr. CUELLAR. Six points, Mr. Ryun. What gets measured gets done. If you do not measure results, you cannot tell success from failure. Right now, what we are doing in Congress—what are we doing? We are putting money into the agencies, and we do not know if the money that we are putting in really works. We have some indicators that show that maybe it is, maybe it is not.

The third point is if you cannot see success, you cannot reward it.

The fourth point is if you cannot reward success, you are probably rewarding failure, and if you cannot recognize failure, you cannot correct it. You do not know if you are doing the right thing if you cannot recognize failure.

And then the last point is if you can demonstrate results, then you can get public support for the results that you are doing.

The bottom line is the way I see this is we are pumping billions of dollars. We have got what, a $2.7 trillion budget or somewhere around there——

Mr. JOHNSON. Six.

Mr. CUELLAR (continuing). A $2.6 trillion budget. How do we know that the dollars that we are spending are for successful programs or programs that are not working or programs that have extended their lifetime already? We do not know unless we ask those questions.

Mr. CONAWAY. Mr. Ryun, a couple of things. One, on the front end, as we begin to develop new programs or new initiatives, that ought to be a part of the development process. What is the end game? In other words, is there a point in time where we expect this program to have done its job, and if it does not get that job done, then it is going to go away? So help the recipients and the folks who are trying to get it done understand that there is an end in sight.

But I would also harken back to the sunset issues for programs that we think are going to be going on forever, that they ought to get better every year and do a better job, but I would try to help set the standards up front as to what the drop-dead date of a particular program ought to be.

Mr. RYUN. I think we can all agree that, you know, that we have programs that started with good intentions. They have arrived at maybe somewhat of a destination, but there is not the will within Congress to say it is time to bring closure. I think that is a problem that we, as Members, need to deal with. It is a hard reality, but, nevertheless, one that we need to address.

A final just kind of a broad question. We have all nibbled around the edges on this. We, as Members, want to have good information,

and yet that becomes difficult. A moment ago, you brought up the example of a Senator saying, "Well, that is good information, but it is 4 years' old." I think we are accustomed to, as Members, kind of dealing in sound bites. We are actually able to deal with more than just that, but my point is we need real-time information when dealing with an issue. Any suggestions as to how we can get that on a very quick basis, and especially our staffs because they are the ones that are going to help feed us with a lot of information?

Mr. JOHNSON. Well, I think it would be a wonderful challenge to have to rise to. If a subcommittee or the full Committee said, "Let us do this. We cannot do it government-wide all at one time, but let us take a subset of some agencies and figure out what is a good set of performance information to provide to the members of the relevant committee—it may be Budget or Appropriations—and let us decide on what the information is and how timely it ought to be, and figure out what that is and come up with something, and then try to demonstrate its usefulness or not." But go from there and try to determine that it is worthwhile doing for the rest of the Federal Government. That would be a really exciting thing for us to work on.

Mr. CUELLAR. And I agree. You cannot ask for all of the information that is available. What we have got to do as a legislature is we have got to selectively decide here is what we want from the agencies, and this is the timing that we need this information, and if we are able to selectively ask what measures we want to look at and on a timely basis, then I would tell you it should not be 4 years' old, and we should be able to get that information on a more accurate and more timely basis.

Mr. RYUN. Mr. Conaway.

Mr. CONAWAY. Again, just asking those questions and setting those parameters up ahead of time; it would be helpful to get that done for all new programs. For existing programs, it is going to take a different level of activity, level of intensity. But I like Mr. Johnson's idea about creating some sort of a pilot project, a test, that would allow the development of it so you could create somewhat of a template for all of the agencies, although they would always have to be modified for the specifics of any one agency.

Mr. RYUN. Thank you, Mr. Chairman.

Chairman NUSSLE. One idea, or just a thought. You said this Web site will be available in 4 months?

Mr. JOHNSON. Well, the information exists now. What we are doing is creating a Web site that assumes that the audience is John Q. Citizen, John Q. Taxpayer. That is what will be available in several months. We are trying to go through the issue of how to structure it and how to phrase things and how to simplify things. In the PART, for instance, there are 25 to 30 questions, depending on the nature of the program, that we ask of the sort that Henry talked about. That information exists on the Web now for every program that we have assessed, which is 600 as of last year and 850 as of a month and a half from now.

Chairman NUSSLE. It may actually be more beneficial, because that is like drinking out of a fire hose when you are 600. It could be that when you roll this out, we may want to do some kind of an informal demonstration up here at the committee for Members

and their staffs. It would be a good way to get some information about this.

Mr. JOHNSON. On the PART information, there might be a focus on two or three key performance measures, but the kind of thing, I think, that you all and the appropriators would need is the kind of information that Henry is showing up here, which is much more detailed, quarterly updates. So it would start with this, but then it would be much more extensive, I think. The kind of information that exists now on OMB's Web site is not the level of detail that you all would need to make even more intelligent budget decisions. We would need to decide what that is and then make it available.

Chairman NUSSLE. Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you very much, Mr. Chairman. I actually also want to thank you for having this hearing. I think it is a very important hearing. I also want to thank you particularly for this distinguished panel. The three gentlemen that are speaking to us today—Mr. Johnson, Mr. Cuellar, and Mr. Conaway—have not only a reputation of protecting taxpayers' dollars, but I think, very clearly, they have a very strong record of achievement in protecting taxpayers' dollars, so what they have to say is very important for all of us to listen to.

Mr. Chairman, you know, but I do not know if others know, that my years in the State legislature could be defined as what I did for performance-based budgeting and for priority-based budgeting, and in order to try to get it done, because obviously the bureaucracies do not want to do it, and it is heavy lift for everybody, I came up with a rather dramatic, I understand, way to do that.

I, basically, as chairman of the Ways and Means Committee, which in the State senate in those days was appropriations, budget, ways and means, and finance and tax together, I told every agency that they had to come up with a plan to cut 25 percent of their budgets. I did not say that I was going to cut 25 percent of their budgets, but I wanted a list of priorities and a list of their lowest priorities and look at ways to cut administration, look at ways of cutting waste, and they did not want to do it, and it was heavy lifting. I actually still have one of the posters that was distributed throughout the capitol when I was doing that. The only part that upset me was the picture because it was not a very good picture. But, I mean, ultimately, it was a heavy lift, but we succeeded in doing some of the things, and I think, by the way, Florida is number one in job creation and still continues to be number one in job creation.

To give you an idea as to how we were able to do that, spending increases in appropriations before those days were close to 10 percent increases annually. After that, as a result, I was able to decrease it to about 1 percent, an increase of 1 percent, rather dramatic. And also, because we did performance-based budgeting and priority-based budgeting, we were also able to fund things that were never funded even with 10-percent increases.

Mr. Chairman, I just want to add that I am really impressed with what this administration is doing with PART. It is kind of hard to read through sometimes. My staff has done a really good job of doing it.

Chairman NUSSLE. It is not purposeful?

Mr. DIAZ-BALART. No, I understand. It is complicated stuff, but it is there, and I think we also need to commend, for example, the chairman of the Appropriations Committee and the appropriators. They have done a pretty good job of applying some of the information that you, Mr. Johnson, and the administration have provided.

In this appropriations cycle, the House has terminated 99 programs, and that is a savings of $4.6 billion. Where I am from, $4.6 billion is real dough, and that is, I think, a huge tribute to what this administration is doing and also the fact that there is some coordination, obviously, with the appropriators.

I think Mr. Spratt was right when he talked about that there has got to be a tie-in with the legislature, and I think Mr. Cuellar was talking about what some of those issues that we have to look at are: Can we do a better job in tying in with the appropriators of the Budget Committee to make sure that also when those standards are being developed through the PART process, that the legislature is involved in that process? From what I hear from Mr. Cuellar, that is pretty much what happened in Texas. There was a negotiative process as to what some of those measures should be, and that is really where the tough part comes. What can we do to do a better job there? How can we improve on that, because I think the information is available? You are right. It needs to be in a little bit more easy-to-understand English. But what can we do to improve that communication not only after you have done the PART reviews, Mr. Johnson, but also maybe before that so that there can be buy-in, so that there can be a better understanding? When you buy in, you are more likely then to make the tough decisions, and these are tough decisions.

Mr. JOHNSON. I think that if we had walked up 4 years ago and said, "Let us work together and come up with outcome goals for each program and efficiency measures and so forth, and we can use it to better budget, and we do not want to get rid of programs; we want to work better," we would have been told to skedaddle. I think we have information now that is a good starting point. We can sit down and say, working with agencies, "Here is a good first cut. Now, what do you, Members of Congress, or this committee like about this? What is missing? What needs to be added or subtracted?" We have a good starting point.

The fact that there is interest in getting buy-in in Congress is a really positive sign. I do not think there would have been any interest in "let us agree on what this is" 4 years ago, but I think the fact that there is a critical mass of performance information is a good first step. In a couple of months, 80 percent of all of the programs will have performance information. We can have a really good conversation on the programs, and we can get the kind of buy-in you are talking about. We all have to agree on what the desired outcomes are for each of our programs.

Mr. DIAZ-BALART. Mr. Chairman, if I may also, to Mr. Conaway, once the information is available, what we are really talking about here is legislative will, are we not? That is really where the rubber meets the road.

Mr. CONAWAY. Sure. That is exactly right. You know, Chris was talking earlier about his business life. In the business world, you have got a CEO that gets all of the input he wants and then makes

a decision that is made. That is not the model we have here, and trying to be able to look your constituents in the eye and say, "I know you like that program, and I know you think it is doing well because you are getting money out of it," whether it is CDBG, or you are in love with Amtrak, or whatever the thing is, it is having the will to say, "I disagree with you, and we are going to have to go a different direction." It is much easier said than done, obviously.

Mr. DIAZ-BALART. And, Mr. Chairman, if I may, last question to Mr. Cuellar, I do not know if you found this, but one of the things that I found in the State legislature is usually the least-effective program, the one that can show less results, or the lower-priority programs seem to have the loudest advocates and the more aggressive advocates. Maybe that is why because that is how they got there in the first place. Is that something that you found as well?

Mr. CUELLAR. Yes, you do. But, again, by having measurements in place, you can certainly have a better dialogue with those people. Instead of them just coming in, "We need this, and we need that," at least, if you have that information, and you have that information available to you in an easy format, then you certainly can have a better dialogue, especially when you are making budgetary decisions.

The wonderful thing about the whole thing is, and, I think, Clay just hit it, Mr. Chairman, members, we have got all of the information available. I think we have got buy-in because, I think, at the State legislature and different places, agencies were usually afraid because they felt that the Congress or the State legislature was going to use this information to cut through programs, go after them to punish them. There is a punishment-and-reward system that should be in place, but I think, from what I am hearing, is we are having more agencies that understand that this can be a good managerial tool for them.

You have got more buy-in by the agencies, and if that information is available, then I think it is up to us to figure out how do we make that connection with the legislature, with the Congress? What information do we use because it is out there? And I think the buy-in, which is very important because there is what I call an "institutional resistance" can be very difficult, and I think that you all did the hard work to get them to buy in, and now it is up to us to buy ourselves into this process because it is important to do it.

But I think, whether it is a mayor or whether it is a State legislature, I think all of us have done this in a previous life. Now is how do we use that experience from the previous lives that we have seen that has been successful? How do we do it here in Congress?

Mr. DIAZ-BALART. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you. I would not underestimate the level of distraction. The mere fact that you have been on that Web site and have traversed through does not mean that all or most or even a majority of Members have done that or staff, and I will be the first to admit, since maybe no one else will, that I have not for a long time. I have been on the Web site, but it has been a long

time since I have done that, and that is why I am wondering if some level of in-your-face is in order here.

I think what you are suggesting here that is coming out in 4 months, because Members tend to fly at about 30,000 to 40,000 feet. I understand that all of the details to make intelligent decisions are down in the weeds, but if you are not even looking at the information at 30,000 or 40,000 feet it is even worse. I do think your rollout of that key information to citizens, all of us of course being citizens as well, and understanding or reacquainting ourselves to that information, would be a good thing to do.

Do you see an advantage to having a rollout in addition to what you are doing at OMB and with the administration, but also here on the Hill? I would be willing to offer, with Mr. Spratt's acquiescence and participation and all of our Members' and staffs' participation some type of rollout where you can demonstrate this for Members and staff and for other key people who want to be interested in taking a look at this.

Mr. JOHNSON. That is a fantastic idea and opportunity. As we have thought about the potential use of this, the one potential use of this site that we come back to is a Congressman's town hall meeting or a Senator's town hall meeting where they stand up and they say, "I am interested in how we are spending the money. It is not a game of perfect, but we are working to get better, and here is a place to go to see this." It is exactly that kind of thing, that little image that we have had in our mind in our efforts to try to construct this.

Chairman NUSSLE. Well, we have got the equipment here to do something like that, so we will——

Mr. JOHNSON. That is a wonderful idea.

Chairman NUSSLE (continuing). Be in touch, and your communication folks can be in touch, and we will try to do that.

Mr. JOHNSON. That would be great.

Chairman NUSSLE. I do not have any other questions, and I do not see any other members on the dais that have any questions. Mr. Cuellar or Mr. Conaway, I understand you may have had some questions you wanted to be able to pose for the record, if you have done that during your—then that is fine.

I want to thank you very much for this opening salvo of discussion. It was your leadership, Henry, as I stated during the markup, that brought us to this point. It is, as Mr. Johnson stated, a journey; it is not a destination. I think we have learned that today, if we have learned anything. I do hope that we have taken some of the first steps on that journey. Even though it may not be with a very clear map of where exactly we are going to end up, at least, I think it is a worthwhile endeavor.

So thank you for your leadership on this. We look forward to working with you, and we may be back here at some point in time this fall to look at the next iteration of this. So if there is nothing else to come before the Committee, without objection, we will stand in recess.

[Whereupon, at 11:53 a.m., the Committee was adjourned.]

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